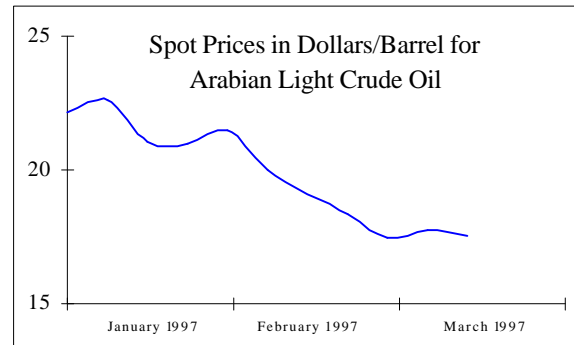
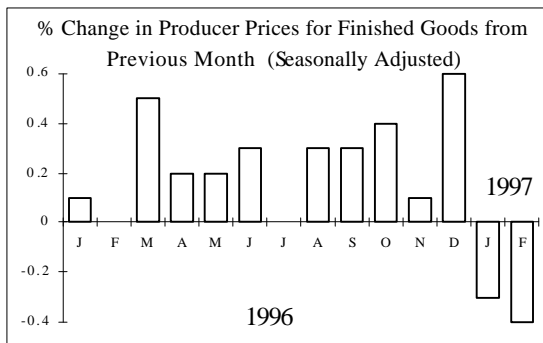


The Economic Bulletin

Volume VIII, #5, March 20, 1997



PRODUCER PRICES DECLINE 0.4% IN FEBRUARY

The Labor Department reported that producer prices for finished goods fell 0.4% in February, the second consecutive monthly decline. This was the largest decline since October 1994 and was mostly attributable to declines in volatile food and energy prices. Particularly significant were declines in prices for gasoline (3.1%), beef (4.3%), and pork (4.4%). These changes will also influence consumer prices and generally help to maintain low rates of inflation.

HIGHER GLOBAL OIL OUTPUT DRIVING DOWN PRICES

The International Energy Agency has reported that recent growth in oil output in excess of world demand has led to declines of 20% or more in the price of oil since the beginning of the year. Iraq's reentry into the world oil market has been a major factor contributing to excess supply. Since world oil demand this year is forecasted to be 73.7 million barrels per day (bpd) and current oil output is currently 74.8 million bpd, oil prices may continue to decline.

RUSSIAN REVENUE SHORTFALLS CONTINUE

The Russian government's problem in collecting tax revenues has continued into 1997 and has forced massive spending cuts. January and February revenues were only about half of target amounts. This resulted in a halving of governmental outlays forcing the government to defer salary payments and purchases. Some specific effects have included sporadic strikes by workers demanding payment of wages and declining military capability associated with supply shortages.

JAPANESE ECONOMY GROWS 3.6% IN 1996

The Japanese government reported that in 1996 the Japanese economy (GDP) grew at a 3.6% annual rate, the best rate since 1991 and the strongest rate of any developed country. Japanese growth was much better than the 2.4% growth reported for the US last year. Japan's solid economic growth is attributed to strong growth in corporate investment, a factor that can lead to sustained growth, and the decline of the yen, which caused a sharp rise in overseas sales of Japanese products.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>Mar 14</u>	<u>Mar 7</u>		<u>Mar 14</u>	<u>Mar 7</u>
Crude Oil (<i>Foreign</i>)	17.55	17.73	DM (<i>Germany</i>)	1.71	1.71
Crude Oil (<i>Domestic</i>)	21.28	21.28	Yen (<i>Japan</i>)	123.67	121.25
Pound (<i>UK</i>)	0.627	0.623	Peso (<i>Mexico</i>)	8.01	8.03
Ruble (<i>CIS</i>)	5708	5696	Won (<i>S. Korea</i>)	880	870

The Economic Bulletin is published by the Office of the Assistant Secretary of the Army (FM&C), SAFM-RB. Should you have any questions or comments please contact Dr. Robert Raynsford at (703)697-2281 (DSN 227-2281). This publication is available on the Internet World Wide Web (http://134.11.192.15/pubs/eco_bltm/economic.htm). Contact WELTZLJ@HQDA.ARMY.MIL for more information.